

Message Text

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ACTION NEA-09

INFO OCT-01 ISO-00 EB-05 RSC-01 DRC-01 /017 W

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R 310445Z JUL 74

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 1871

INFO AMEMBASSY BEIRUT

AMEMBASSY KUWAIT

USDOC WASHDC

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USDOC FOR MEPD

E.O. 11652: N/A

TAGS: BEXP, ENRG, TC

SUBJECT: GE STRUGGLES FOR POWER IN ABU DHABI

REF: ABU DHABI 983

SUMMARY: GE REPS BRIEFED EMBASSY ECON/COMM OFFICER ON PROGRESS OF COMPANY'S EFFORTS TO SELL ADDITIONAL GAS GENERATING EQUIPMENT TO ABU DHABI DEPARTMENT OF WATER AND ELECTRICITY (DWE). TO THIS END GE HAS PRESENTED THE ABU DHABI PERMENENT PROJECTS COMMITTEE WITH A PROPOSED PLAN TO SUBSTITUTE GAS GENERATORS FOR THE PLANNED STEAM AND DIESEL UNITS NOW BEING COMPETED FOR. ALTHOUGH GE EQUIPMENT AND ORGANIZATION IS HIGHLY REGARDED LOCALLY, PROBLEMS OF PRICE, DIFFICULTIES WITH THE PRESENT GAS UNITS RESULTING IN FREQUENT POWER FAILURES IN ABU DHABI, AND TECHNICAL ARGUMENTS CONCERNING THE RELATIVE MERITS OF STEAM VERSUS GAS GENERATORS HAVE ALL WORKED TO GE DISADVANTAGE. END SUMMARY.

1. IN RECENT VISIT TO EMBASSY, J.H. HILPMAN, GE MANAGER, MIDDLE EAST, AND DHAZAR BAGHDASSARIAN, GE REPRESENTATIVE, BEIRUT, DESCRIBED GE'S EFFORTS TO SELL GAS POWER GENERATORS TO ABU DHABI DEPARTMENT OF WATER AND ELECTRICITY (DWE). GE HAS ALREADY SOLD FOUR 20 MW GAS GENERATORS TO DWE.

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TWO OF WHICH ARE IN OPERATION, AND TWO OF WHICH ARE BEING

INSTALLED.

2. GE HAS RECENTLY BID ON TWO ELECTRICITY PROJECTS:

(A) A 70 MW STEAM GENERATING SYSTEM FOR ABU DHABI TOWN. GE'S BID WAS NOT COMPETITIVE AND CONSULTANT HAS RECOMMENDED BABCOCK AND WILCOX (GERMANY) WHICH BID DH 175 MILLION (CA. \$45 MILLION) FOR THE STEAM PLANT. GE, HOWEVER, AS PART OF ITS BID, PROPOSED A GAS ALTERNATIVE TO THE STEAM GENERATORS.

(B) TWO 20 MW GAS GENERATING UNITS TO PROVIDE STAND BY POWER FOR ABU DHABI TOWN (ONE) AND AL-AIN (ONE).

AS REPORTED REFTTEL, GE'S BID WAS CONSIDERABLY HIGHER (28 PERCENT ACCORDING TO CONSULTANT'S EVALUATION) THAN THOSE OF ITS COMPETITORS, JOHN BROWNE (UD) AND THOMASSEN (HOLLAND). DWE, THROUGH ITS CHAIRMAN, SHEIKH SORUR, HAS RECOMMENDED TO PERMANENT PROJECTS COMMITTEE PURCHASE OF TWO JB AND ONE THOMASSEN UNIT.

3. GE, TO KEEP FROM BEING COMPLETELY SHUT OUT OF THE ABU DHABI POWER GAME, HAS PRESENTED TO PROJECTS COMMITTEE AN ALTERNATE PLAN FOR THE EMIRATE'S POWER DEVELOPMENT WHICH COULD BRING COMPANY UP TO \$80-\$100 MILLION IN FUTURE BUSINESS AND WHICH WOULD, GE CLAIMS, SAVE ABU DHABI UP TO \$20 MILLION. THE TWO SCHEMES ARE AS FOLLOWS:

DWE PLAN: 70 MW STEAM POWER PLANT FOR ABU DHABI
DIESEL STATION FOR AL-AIN
TWO GAS GENERATORS, ONE FOR ABU DHABI AND
ONE FOR AL-AIN

GE PROPOSAL: 4 X 20 MW GAS TURBINE POWER PLANTS WITH
RECOVERY BOILERS (FOR DESALINATION) FOR
ABU DHABI TOWN
3 X 20 MW GAS TURBINE POWER PLANTS FOR
AL-AIN

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4. AS MENTIONED REFTTEL, EMBASSY HAS BEEN SUPPORTING GE IN MEETINGS WITH DIRECTOR, DWE, AND CHAIRMAN, ABU DHABI PERMANENT PROJECTS COMMITTEE. IN ADDITION TO QRGUMENTS FOR GE MENTIONED REFTTEL, THERE ARE SEVERAL BENEFITS TO GE'S GAS SCHEME.

(A) ABU DHABI'S POWER SUPPLY WILL BE ALL GAS, AND

WILL NOT DEPEND ON A PATCHWORK OF STEAM, GAS,
AND DIESEL GENERATORS.

(B) IF THE ABU DHABI GOVERNMENT ACCEPTS GE'S
PROPOSAL, AND BUYS GAS GENERATING EQUIPMENT
FROM GE'S COMPETITOR'S-LICENSEES, GE WILL STILL
SELL ABOUT \$500,000 OF US-MADE EQUIPMENT ON
EACH UNIT.

(C) ALTHOUGH EMBASSY NOT QUALIFIED TO JUDGE ON
COMPARATIVE MERITS OF GAS VS. STEAM GENERATORS,
THE GAS TURBINES OFFER A LOWER INITIAL INVESTMENT,
AND EARLIER DELIVERY DATE. DWE GERMAN CONSUL-
TANTS (LAHMEYER INTERNATIONAL) HAVE TENDED TO
FAVOR STEAM OVER GAS, BUT TECHNICAL DIRECTOR DWE
HAS RECOMMENDED PURCHASE OF GAS UNITS, PREFERABLY
FROM GE.

5. EMBASSY WILL CONTINUE TO FOLLOW PROGRESS OF ABU DHABI
POWER STRUGGLES. FROM US TRADE POINT OF VIEW, FOLLOWING
ARE POSSIBLE OUTCOMES IN DESCENDING ORDER OF DESIRABILITY:

- (A) GE SCHEME ACCEPTED AND ALL GAS UNITS ORDERED
FROM GE.
- (B) GE SCHEME ACCEPTED, PRESENT UNITS ORDERED FROM
JOHN BROWNE AND THOMASSEN, AND GE COMPETES
FOR OTHER UNITS.
- (C) DWE'S PRESENT PLAN FOR A MIXTURE OF GAS, STEAM,
AND DIESEL GENERATORS IS ACCEPTED AND GE
GAINS ONLY THROUGH SALES BY ITS LICENSEES.

6. COMMENT: FREQUENT POWER FAILURES IN ABU DHABI THIS
SUMMER HAVE CAUSED SOME BAD FEELINGS AGAINST BOTH DWE
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AND GE. IT IS CLEAR NOW THAT RESPONSIBILITY FOR THESE
FAILURES IS SHARED AMONG THE DEPARTMENT, SUBCONTRACTORS,
AND SUPPLIERS. ONE OF THE MOST DISAPPOINTING PART OF GE'S
PERFORMANCE HAS BEEN THE WORK OF GETSCO, GE TECHNICAL
SERVICES COMPANY, WHICH HAS MISMANAGED THE INSTALLATION
AND SUBCONTRACTING WORK OF THE GENERATORS. ABU DHABI POWER
SITUATION HAS BECOME POLITICAL FOOTBALL WITH DWE, CONSULTANTS,
AND SUPPLIERS ALL SEARCHING FOR SCAPEGOATS. POWER CUTS
IN PARTS OF CITY RANGING FROM ONE TO SEVEN HOURS ARE CAUSING
GREAT INCONVENIENCE, AND SHEIKH ZAYID HAS PERSONALLY ORDERED
SHEIKH SORUR TO FIND SOLUTION.

7. COMMENT: GE'S SUCCESS IN SELLING MORE UNITS HERE
WILL DEPEND ON:

(A) THE EXTENT OF SUPPORT FOR ITS GAS GENERATING
PROPOSAL IN ABU DHABI PROJECTS COMMITTEE.

(B) REORGANIZATION OF ITS SERVICE AND INSTALLATION
OPERATIONS. GE ITSELF ADMITS THAT THE OPERATIONS
OF GETSCO IN ABU DHABI HAVE BEEN DISASTEROUS.

(C) ITS ABILITY TO MATCH ITS LICENSEES IN THE PRICE
OF GAS TURBINES. UNLESS IT CAN LOWER ITS PRICES,
THE QULITY OF ITS EQUIPMENT WILL NOT IN ITSELF
QUARANTEEE SALES.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SALES, ELECTRIC EQUIPMENT, ELECTRIC GENERATORS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 31 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ABUDH01015
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: I
Film Number: D740208-0006
From: ABU DHABI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974074/aaaaadcg.tel
Line Count: 181
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: ABU DHABI 983
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 21 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 AUG 2002 by boyleja>; APPROVED <24 FEB 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GE STRUGGLES FOR POWER IN ABU DHABI
TAGS: BEXP, ENRG, TC, GE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005